# Columbus Redevelopment Commission February 5, 2007 Page 1 of 9 City Hall 1:21 p.m.

Tom Vujovich Chair called the meeting to order at 1:21 p.m. with the following members in attendance: Corey Carr, George Van Horn, Matt Souza, and Rich Stenner,

Staff – Ed Curtin, Counsel - Terry Coriden

#### Guests

Bill Henry / Facilities Group representing Roger Lang
Mark Moore/ Baker / Daniels of Indianapolis representing Cummins in the
Economic Development agreement with the City of Columbus – expect to work with them on tax
abatement, etc.

#### **Action Items**

#### Minutes

Minutes of December 20, 2006 and January 8, 2007 were approved as received. Motion by Matt Souza and seconded by Rich Stenner for both sets of minutes.

Ed – asked Christopher Burke to provide a proposal for site work for the parking garage. Background – one of the pieces that was not covered in the Koetter/Kim proposal was the site engineering related to grading drainage, utilities and permitting. Christopher Burke would provide those services in the amount of \$49,146 – to take through five different tasks identified (development construction plans, drainage, misc and construction administration) – recommend approving the contract. Would be paid for under the grant from Cummins Foundation.

Questions – Grant from foundation is adequate to cover this amount plus any other amounts that we anticipate? Yes, that's what we believe.

Moved by Matt Souza and seconded Carr - APPROVED unanimously.

### Approval of Claims

#### Claims

DCI - \$5,830 (copy included in packet distribution).

Questions/Matt – consistent with what anticipated? – Yes. Work performed as it was agreed to? – Yes

Moved Souza and second VanHorn - APPROVED unanimously.

#### Claim for Chamber Foundation –

Motion by Matt Souza second by George Van Horn–Columbus Area Chamber of Commerce Foundation is going to facilitate activities of the Redevelopment Commission in the amount of \$13,000 – transfer funds from the Heritage Fund to the Chamber to accomplish that.

APPROVED unanimously.

#### Discussion Items

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<u>Tax Increment Finance District – Discussion/Questions/Comments</u> - Request from Cummins – This is intended to be for background purposes. This is the Commission's opportunity to ask questions. If there are issues that we need to find the answers to or Cummins needs to find answers to, we have between today and what we are proposing as a special meeting on 2/26/2007 to accomplish that.

#### Description of Financing Piece of Proposal

- Background / Tom several months ago when Cummins was awaiting site selection for the placement of the new line, approach was made to the Mayor asking for whatever assistance the city would be able to provide Cummins in securing that investment, that commitment for Columbus. There were several meetings that were held that I was in attendance and Cummins Plant 1, which is currently in the 5<sup>th</sup> district, could be created as a TIF of its own, encompassing just that piece of property. Revenue from that property within that TIF then would help fund the cost of the investments Cummins would have to make to put that line in place. The Mayor's position at that time and continues to be that the city needed to do whatever was within its authority to help secure that line and obviously because the plant was located in the TIF district and the Redevelopment Commission had to weigh-in with the ultimate decision on how that was handled. It is at the point now where Cummins is prepared to move ahead, I think they are beginning to anticipate making some expenditure at that site that would be eligible for TIF abatement purposes so there is some need to get that district created.
- Terry timeline that we are dealing with is to have this commission take action before 3/1/2007, another meeting to discuss 2/26/2007 at 1:15pm at City Hall. Have undertaken actions to get advertisements out, which has to be done and send those out to the newspapers and subsequent to your meeting would be confirmation or approval by City Council of any action that you would take. Action of City Council does not have to be done before 3/1/2007 in order for this commission to capture the base rate of the 3/1/2006 tax base. As long as this commission takes action before 3/1/2007.
- Corey when you slice out the area of Plant 1, does our benchmark AV get sliced out with it or does that reduce our benchmark assessed evaluation for the district? Do we take the current assessed value of Plant 1 and remove that from the TIF district and from our benchmark AV or are we going to go underwater on the central district when we subtract out the Cummins Plant 1?
- Terry I think because the way this is being structured with the 3/1/2006 date, what must have been contemplated was to hold onto revenue within that district. But having said that, I have not been part of these conversations, my sense is we were trying to stay even there.
- Corey the real question is when we subtract out the current assessed evaluation of Plant 1, before the incremental amount is added, when we subtract out that benchmark, the assessed evaluation of that plant, when we created the central district 2-3 years ago, Plant 1 has an assessed evaluation. When we take that out, does that benchmark assessed evaluation come out of the district as well?
- Terry you still have the district.
- Corey this is going to be a separate district.
- Terry what you are going to eventually pledge is the increase in value as a result of the activities being undertaken by them, but the rest of it will still be utilized for your other purposes.

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- Tom let me ask the question from a little different direction. I asked Mike Claytor early on whether or not this would have an impact on the commissions ability to bond and the answer is no. Will not negatively impact the revenue projections to pay off the bond.
- Corey when we designate Cummins personal property in order to capture the increased assessed
  evaluation of the equipment that goes into Plant 1, as I understand, is personal property assessed as a
  single taxpayer throughout the city, throughout the county, throughout what jurisdiction because as I
  understand it, it is not just at Plant 1 that the personal property is aggregated for AV (for all
  companies).
- Corey so our choices, I think, are only March. We would have a choice of March 2006, March 2007, March 2008.
- Bill Henry we will have significant personal property in there this year.
- Corey? does it go on the tax roles as soon as you receive it or when you put it into service? When you put it into service.
- Bill Henry some of it will be in service this year. Certainly because they will be testing it, running test parts and doing things like that. We will take that out of construction in progress and put it into the next step.
- Corey? when do you expect to do that? Before March of 2007? If you are not going to do it before March 2007 then it seems to me that it would be better for us to do the real property, create the TIF district and do that work and do the real property but to wait to designate them as a personal property until next year because then we benefit by having a lower benchmark from the depreciation, I think.
- Bill Henry Cummins is at one-fourth, 30% of the net cost.
- Corey so everything you have is bottomed out right now anyway.
- Bill Henry in fact that is what is going to happen, you will take action on the Tax Increment Financing through the Redevelopment Commission this month, which will put us on 3/1/2006 and the City Council will not be asked to take action on the tax abatement until March 2007, which would make a 3/1/2007 date for the tax abatement.
- Corey all the depreciation that occurs between March 2006 and March 2007, doesn't that put us initially underwater, does that not disadvantage Cummins by having a higher benchmark?
- Bill Henry they have a 30% floor. So, if you purchase nothing and you dispose of nothing you have 30% of your tax value would stay the same from year to year. Obviously we have deletions and additions.
- Corey? the two choices, do we set our benchmark for personal property as of March 2006 by acting today or in the near future or do we wait until an April meeting of this commission and set our benchmark as March 2007.
- Bill Henry for property purposes those are going to be the same number.

Bill Henry – at the time the Economic Development Agreement was negotiated with the City I think there were a couple of options, one of which was the traditional redevelopment commission financing which you may have already done in your central district but in that instance you are actually the bond issue. The Redevelopment Commission issues the bonds, they are issued in the name of the city and you receive the Tax Increment Financing revenue and you use that to pay off the debt. I think in this instance what has been proposed and which a lot of folks including rebuff(?) counsel and I have done a number of times is what is called a TIF IDB or Tax Increment Financing Industrial Development Bond.

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There what happens is that the Economic Development Commission, the City of Columbus acting for the Economic Development Commission would issue bonds and the proceeds of those bonds or when those bonds are sold, the loan would get paid to the company obligated to pay off those bonds. Where you come in as the Redevelopment Commission is you will be asked to pledge the TIF revenue to pay the bonds or basically to offset the loan payments. If there is a loan payment due of \$100 and that includes principal and interest and the TIF makes up \$80 then the company has to pay \$20 out of its pocket but in fact what you try to do is structure that loan and that bond to the Economic Development Commission in such a way that you are matching the TIF revenues with the loan payments. It is no different that what you have really done before other than you are not issuing the bonds, the Economic Development Commission has the loan agreement with the company, in this instance Cummins. Sometimes I think when you do the more traditional redevelopment bonds or sometimes the taxpayer agreement that might be an agreement you would have with a developer or with a company but here your part in all of this is in fact to say yes, we established this economic development area, we established an allocation area to the extent there is any tax generated in that we will punch that over to pay these bonds and we will not use that to pay other bonds.

- Tom would Cummins purchase the bond?
- Bill Henry That is a possibility or one of Cummins bankers would purchase it. In some respects it is just a use of capital issue. Cummins is responsible for the bond ultimately when it is structured under this Economic Development Commission structure. There is nothing in the agreement with the city to suggest that the city credit would be used to back up the bond.
- Tom if for some reason the revenue from the TIF was not adequate to cover the debt it becomes a Cummins issue to cover?
- Bill Henry That is really one of the things that becomes clear when you use this structure for the Economic Development Commission that it really is a loan and the only source of payment for that is Cummins payment except to the extent that there is TIF that is used, pledged over to that and all of the agreements are very clear that TIF is pledged. Generally you are looking at a 20 year period plus whatever the construction phase might be. (remainder unclear)
- Tom speaking specifically to the Cummins TIF, once that is created is it envisioned to last 30 years, 20 years, 15 years?
- Bill Henry I think we need to be very careful in looking back at the original TIF that you established, when that was established and how long that ran. Did you go for the full statutory 30 years? Yes I would want to look at the statute again but I think you have to be careful about trying to stair step those things.
- Tom you were not necessarily trying to within this district set it up for an accelerated payment, to take that revenue and have it paid off in 15 years etc.
- Bill Henry I think we want to talk with the company as well as the commission about that. If there was additional revenue would you want to pay down the debt faster or would you want to make that available for further investment. I think that was left open.
- Tom when you say "you", are you referring you the commission or you Cummins.
- Bill Henry I think it is part of the negotiation. I think both folks have to decide how they want to do that. I have been really interested in the last year in dealing with different issuers how they see paying down the debt. There are some that are adamant that they want the excess revenue to pay down the bonds more quickly and others do not take that view at all, in fact want it to sort of work through its own course.

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- George what happens to the excess, whether it comes to us or pays the debt because it still goes back to them, the allocation area, which means in essence it still goes back.
- Corey in some instances it does not need to go to the allocation area, it can be distributed back out to the original taxing units. The school corporation for example.
- Tom Terry, do you recall what the city's perspective on this was?
- Terry I think with Mark, I do not think it was planned that way. It was something that your input along with Cummins would make the determination.
- Tom prior to the 26<sup>th</sup>, we the commission need to understand what it is specifically that is being asked of us?
- Terry I think from Cummins perspective that they would have the investment and there would be revenue attached to that tax increment and all of that would be made available to them but I do not think there is any additional benefit.
- Tom sounds like at our February meeting we would just be laying the groundwork, amending maps and districts and creating a new district? We are not doing anything associated with bonds this month.
- Tom I think this is where we need to get Mike Klayter(?) back into the picture Terry and so we understand exactly. Terry he will be here next week, as will Bruce. What we are really talking about is the Redevelopment Commission committee X million of dollars of revenue that otherwise would come to the commission for reuse in the district and we are going to pledge that entire amount solely to this purpose which is important. We want to honor the commitment that we need to make, we do not need to honor a commitment over and above that is my point.
- Tom I don't want to suggest that that is what we were talking about. I think my only concern is as we have seen in other transactions what I have seen is that financial advisors like Mike are going back and looking at numbers and applying circuit breaker concerns to them that while there may have been an expectation at one point that it would produce a certain amount of dollars it may not produce and I think that may be where the conversation needs to be. I actually appreciate what you have said because I think that is right, while the economic development is not a debt of the city, it certainly was negotiated in a good faith effort to sell what those economic development incentives were going to be and what people thought that they were worth, working with pledge information they had.
- George Depending on how the bonds were set up, but it may be that we repay those because it does not go against the 2% obligation (?) of the city but by the same token it could fall back on the city at the end.
- Bill Henry What we are trying to do is structure that so it doesn't happen, that it is not in any way a city obligation and I think we understood going into it that the city could not put its full faith and credit at risk.
- Matt/George if you feel that you are going to file your request in two days, Wednesday this week, what we could do is an approval based on this discussion but that explodes if the request does not get filed, so that it is not sitting out there is the concern. That way if the request is filed per the parameters that were discussed in this meeting we would be comfortable approving it but if it does not get filed then the approval is ended and have to get back together. If you want to add Thursday/Friday this week that is fine.

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- Tom there are two completely separate issues one is the tax abatement approval based on the existing boundaries of our allocation area. The other is the redrawing of the allocation area to partition the Plant 1 property out into its own district and those two are completely separate actions that the sequence of which I do not think matter. The tax abatement one is the one that we are concerned about prior to starting to receive equipment. The partitioning of the allocation area I think probably needs to be done, it sounds to me like it will not matter if it is done before March 1<sup>st</sup> or not because your assessed evaluation is not going to increase. The allocation issue we have time on, just so that it meets the bond schedule. The abatement one is the one that is important.
- Corey I like the Matt and George option, I wonder if there is some way we could vest our authority in Tom as commission chair to make that final decision yes or no as opposed to just having a blanket approval out there.
- Matt that's fine as long as Tom makes the determination by whatever the date certain is, that the filing has been done.
- Tom so if I get the sense of the commission we want to make a motion today to approve the abatement request contingent on meeting the standard described in today's meeting and having been filed by Friday --- and the policy that we previously said. What if it's two weeks?
- Bill Henry I don't know if he laid out the jobs aspect and if you want that what we have committed to is 458 jobs by the year 2010. I think our management is optimistic that that is a low number but that is what we have committed to and starting wages will range from \$12.25 to \$23.30 plus fringe benefits and to give you an idea we are talking about phasing in the employment starting with 75 this year, 127 in the year 2008, 360 in 2009 and 458 in 2010. About \$16.3 million in salaries and wages. Happy to provide copy of this (give to Ed). (Only caution is that this goes farther than the agreement with the City on the Economic Development side in terms of agreement and mark it with a big ESTIMATE, put initials on it and make sure counsel sees that before you give it to us).
  - MOTION by Matt Souza above, seconded by George Van Horn to (1) modify the boundaries of the Central Economic Development Allocation Area (City of Columbus Allocation Area No. 2) (the "Central Allocation Area") to remove from the Central Allocation Area certain property owned by Cummins Inc. (the "Company") generally located [at/in the vicinity of] in an area with a point of beginning at the intersection of the south right of way line of 6<sup>th</sup> Street and the east right of way line of California Street, then south along the east right of way line of California Street to the north right of way of Third Street (also known as State Route 46), then east along the right of way line of Third Street (also known as State Route 46) to the west right of way line of Central Avenue, then north along the west right of way line of Central Avenue to a point more or less where the extended south right of way line of Sixth Street intersects the with the west right of way line of Central Avenue, then west along the right of way line of Sixth Street to the point of beginning in the City of Columbus (the "Cummins Property"); (2) designate the entire Cummins Property as a separate "allocation area" under Indiana Code 36-7-14-39; (3) amend the Plan to incorporate certain projects relating to the expansion of the Company's operations on the Cummins Property; and (4) designate the Company as a designated taxpayer for purposes of allocating and distributing depreciable personal property taxes under Indiana Code 36-7-14-39.3.
- APPROVED unanimously.
- Application will supplant the above estimates and documentation.

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#### Information Items

Ed – reports submitted with agenda.

- Corey consultant that had proposed to work with Koetter/Kim on parking garage, three firms that had turned in bids (large separation in dollar amounts) differences were?
- Ed based on conversations with Bill Fitzpatrick, the proposal from Walker was significantly higher than the combined two consultants that they were going to use. Tom had a conversation with someone at Walker. They felt like that was what they needed to have in order to do the work and in an effort to keep the price down and still have quality product at the end of the day we decided to go ahead and use the folks that Koetter/Kim was proposing to use.
- All three companies understood what they were bidding on and bid on the same thing.
- Walker representative was surprised that they could have been significantly higher based on the scope and how sharply they fine tuned their pencil. When Ed got the information back that indicated they were quoting on the exact same things it was \$86,000 difference, got back with Walker and they were still surprised that it was that far off but understood. Satisfied with same services for significantly less money.

George – education – no update. Finance academy going.

Hospitality piece of Candlewood – FYI – conversation with Tim Dora, in paper already, willing to push back the start of Candlewood until the first of the year. That was a request made to Tim by us because it allowed the city to catch up with some planning issues relative to the whole Commons Mall development. He was willing to accommodate that request to push it back. It also closes the period of time assuming that we still think that it is a good idea to get Bistro 310 into one of those retail spaces in the parking garage. It closes the gap where they would be out of business or at least out of the public eye from 6-8 months to maybe two months, which is a much more practical solution for them. I know that some people could read that and say Candlewood is pulling out or there is a problem, there really is no problem at all, it was an accommodation that we asked for.

All along there has been an expectation that at a point in time Irwin/Sweeney/Miller Foundation is going to transfer some property, some real estate to the Redevelopment Commission. In all likelihood the Commons Mall, including the Sears piece of it, we would expect that it would also include the site that we are looking at for the development of the indoor sports complex. That discussion is still underway, the expectation is still there so question of timing and as things develop and there is something more than just an idea to convey, we will get that information to you ahead of time. I think while this has not been stated, publicly I think the expectation is that the Irwin/Sweeney/Miller Foundation pretty much goes out of existence at some point in the near term and real property, real estate that they own gets conveyed to the Redevelopment Commission.

We've talked in the past about other pieces of property that might make their way to the commission, does the commission have any property? The commission has no property to date. Properties that have been discussed or thrown out from time to time are the old Noblitt property. That I think is still a possibility if it helps accommodate a development. The other was the Cummins property down here between 2<sup>nd</sup> and 3<sup>rd</sup> street at one point it was discussed transferring that to us. It does not look like that is going to happen right now. They have a buyer that they have been in negotiations with, that buyer is working with an office development in town and is proposing a mixed use development on that site and if he gets the commitment from the office use he is ready to close a deal with Cummins. The good news on that is that it is a private investment and they are not asking for Redevelopment Commission participation although there may be an abatement request coming at some point based on part of this development. I would imagine that it will be an \$8-12 million investment.

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Revenue would come with the Cummins property through leases. Offset is the possibility that commission owned properties could take away from the tax base.

The other thing that the commission needs to keep an eye on and planning for is sometime in early 2008 we are going to be in the management business with the parking garage and the real estate that is part of it. Are we expecting that Mr. Curtin is going to become a manager of real estate or is he going to be the manager of a relationship so we need to begin thinking through that. Part of the garage issue is how is the garage going to be staffed/manned. It is going to be a staffed operation, is it going to be automated. Koetter/Kim is going to be calling on the parking committee to begin providing some input on some critical pieces of information. The big question there is the garage is one piece of an overall downtown parking system that needs to be looked at for a municipal point of view, which raises the next consulting assignment we need to get underway fairly soon and that is looking at this whole downtown parking picture from a comprehensive point of view, are we going to have metered parking on Washington Street. I think it includes one or two lease issues as well as eliminating parking on certain sides of the street, there is a whole separate issue we will be getting into shortly.

Public meetings for input for The Commons – Thursday 2/22/2007 at noon, 4 o'clock and 6:30 at The Commons, Thursday 3/1/2007 at noon, 4 o'clock and 6:30. Brief presentation but primarily to get input from the public on what we are going to do with that space.

Ed - Plan Commission meeting in February, this Wednesday, it would appear that there are three different items that would/could affect the commission and so far I do not know that we have had a lot of input with the Planning Department or staff or the commission regarding our thoughts about that but the first one is a PD at Columbus Crossing. The other is Wickstrom – both an annexation and a rezoning that would be out at Woodside on the north side of 58 and 65 which although it currently would not be in the TIF we would probably want to look at incorporating that at some point (not currently in city limits). Unless the commission feels otherwise, would be inclined to provide comment to the Plan Department staff that CRC would support those actions. I talked with Planning on all three of those items and they are expressing their approval for a recommendation for approval to the Plan Commission. A piece would like to start taking action on, those things that I think will affect us down the road, I want to make sure that we have a voice at those commission meetings. Certainly can copy the commission as well when comments to Plan Commission. Identify those items that don't have an impact, but for those that do impact the commission would voice why we support that project. Make sure to maintain a balance – don't want it to become a negative impact. Woodside improvement today would be a logical extension of the area that was created, that City Council said it is logical, it is permissible for the Redevelopment Commission to take as a means to generate revenue with a simple business area. The other piece of it, this is not a request that has come to the commission, Corey has raised the possibility whether or not the Redevelopment Commission could use the bonding capability to buy infrastructure as a means to speed the development of that site. An issue with that site besides the fact that we incorporate it into the TIF district is to what extent do we damage our other purposes by bonding activities in that area. Doing an infrastructure for an industrial park is not really the purpose of the Columbus Redevelopment Commission – not the purpose it was initially designed for. It may be something that is appropriate for us to perform in order to create the environment for investment to take place which will clearly benefit us but that is the other possibility, especially as we look at expansions.

Tom - it is always good for the Redevelopment Commission to expand its area and encompass new developments to generate funds for the Redevelopment Commission. That is always a logical good thing for the Redevelopment Commission but that good thing for the Redevelopment Commission has to be bound with the impact of losing the tax revenues. There has to be a balance.

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Ed – met with Courtney on Friday afternoon to go over maps which the auditors have for what they think is the TIF area, airport and central area. They do not quite jive with what we think is that so Courtney has been working on the list. Asked the auditor to find out exactly what format they would like the information in so that we could provide what is easiest for them to make the changes to the map and easiest to incorporate data. Basically there were a handful that were either duplicates or should not have been included in the original list. There were about 218 that should be included and all the ones that were included before. Trying to get that taken care of in the next few weeks. The ones that should have been included are based on the map, on the original legal description. These maps are now a layer on the GIS system that the county takes care of. You have access to computer/internet you can pull this up to see any particular area, at least what they have been currently, will get that changed. Why were the 218 left off, rhyme or reason? – Guess is that list – huge number of properties, very thorough going back through making sure they had every one of them, what the 218 is, I believe they were originally included but for some reason did not make it on there, we just have to make sure that the list that Courtney has and the list that the auditor has, everything is there that should be in there. Was it a matter of the GIS and auditor's office not being in sync? – Don't know, one may be more current than the other.

Ed – met with Shah Towfighi regarding airport TIF and shared why we have been underwater for the last couple of years and gave him a list of business that he has out at the airport TIF and need to make sure that the list is current for him and contacts are current. Talk to Tom and anyone else who wants to work on that, make sure that list is up to date and get it out in fairly short order so we can take advantage of what we can get in 2007 before the end of the fiscal year.

Sports Complex – interesting the project by a Chicago developer, think we are getting close to the point where they will make a solid commitment to that project and potentially will begin yet this year another \$17 million investment.

Ed – first meeting to attempt a report like this and this piece will change every month and will be an attempt to begin to capture all the different things that we have going on. I just need feedback on whether this is something you actually want or need or if you want me to keep doing it, I can, I want to provide as much quality information as I can to the commission. Feedback – thought the memo was great. The whole package is useful and it is great to have you on board.

#### **Next Meeting**

Special meeting – Monday, February 26, 2007 – segmenting/redrawing boundaries, creating a new area. Prior to meeting know what allocation area will look like – some idea of what will happen with any excess, personal/real property. Pros and cons assessment described earlier by Terry.

Monday, March 5, 2007

Meeting adjourned 2:54 p.m.